

# CLOSELY WATCHED TRENDS

*Recession has finally hit bottom*

*Key indicators slip to pre-boom levels*

**Looking to the third quarter of 2011:**

- Jobs near bottom as unemployment goes flat
- Spending and income are still slipping
- Visitor counts are still trending up as stay-length falls
- Construction and real estate sales will slump further
- Gasoline and electricity will remain fairly flat

	Q3 FORECAST
	% Chg. from Q3 2010
JOB	0.1%
UNEMPLOYED	-13.5%
INCOME	-7.8%
SPENDING	-18.2%
GASOLINE	-7.2%
ELECTRICITY	-0.5%
HOME SALES	-13.6%
BUILDING	-100.0%
VISITORS	5.3%
VIS. SPENDING	5.9%
VISITOR STAY	-2.6%
DIR. FLIGHTS	-2.9%

*Detailed discussion and charts of indicator trends and forecasts are provided on the following pages.*

**2011** SUMMARY OF ACTUAL & FORECAST DATA\*, % CHANGE AND INDEX TRENDS THRU Q3 **Q2 Apr-Jun**

JOBS		Q1	Q2	Q3	Q1	Q2	Q3
	<b>Non-Ag. Employment (000)</b>	27.6	27.6	27.3	2.7	2.7	2.7
	% Change	-2.4%	-0.7%	0.1%	-3.7%	-9.5%	-13.5%
	Index	0.98	0.98	0.98	2.68	2.57	2.46

MONEY		Q1	Q2	Q3	Q1	Q2	Q3
	<b>W/hold. Tax on Wages (\$M)</b>	\$1.9	\$1.9	\$1.9	\$4.1	\$4.1	\$5.0
	% Change	-9.5%	-8.1%	-7.8%	-11.0%	-16.8%	-18.2%
	Index	1.29	1.27	1.23	0.99	0.90	0.89

ENERGY		Q1	Q2	Q3	Q1	Q2	Q3
	<b>Gas Gallons Sold (M gal)</b>	1.8	1.9	2.7	36.0	35.5	35.4
	% Change	-4.8%	-1.8%	-7.2%	0.0%	0.9%	-0.5%
	Index	0.76	0.76	0.74	1.02	1.01	1.01

BUILDING		Q1	Q2	Q3	Q1	Q2	Q3
	<b>Resid. Sales Volume (\$M)</b>	\$63.0	\$57.3	\$53.8	\$5.7	\$0.4	\$0.0
	% Change	-24.6%	-20.6%	-13.6%	-89.1%	-100.0%	-100.0%
	Index	0.99	0.98	0.99	0.11	0.00	0.00

VISITORS		Q1	Q2	Q3	Q1	Q2	Q3
	<b>Avg. Daily Visitors (000)</b>	21.0	19.6	19.8	\$158.86	\$146.78	\$147.40
	% Change	7.7%	9.7%	5.3%	4.1%	5.7%	5.9%
	Index	1.12	1.14	1.15	0.98	0.99	0.99

VISITORS		Q1	Q2	Q3	Q1	Q2	Q3
	<b>Dom. Length-of-Stay (days)</b>	8.2	7.3	7.4	32.7	33.4	33.6
	% Change	-0.4%	-1.7%	-2.6%	10.0%	8.9%	-2.9%
	Index	1.19	1.17	1.15	1.34	1.34	1.34

\* Values are monthly averages during the Quarter. Q1 = actual | Q2 = preliminary | Q3 = forecast  
 Percent change in trend data from same Quarter last year. Index numbers (small italics) and charts show trends (seasonally- and inflation-adjusted) where 2003 = 1.00



## SYNOPSIS OF PERFORMANCE AND OUTLOOK\* FOR KEY INDICATORS

The twelve quarterly indicators presented here are selected to reflect the broad range of Kaua'i economic activity, including Jobs, Money, Energy, Building and Visitors. This quarterly update provides a timely check on economic performance since Q1 2011 and offers a reliable look ahead through Q3 2011.

The Summary Table shows the actual and forecast values for each indicator during the first three Quarters of 2011, as well as the trend for each indicator, expressed as the percent change from the same Quarter last year. The index value versus the 2003 average is also shown, together with a chart of these index trends.

Key findings from the latest data are presented below:

## JOBS

- **Non-Ag. Employment** *Although job counts may slip further in Q3, the trend is turning up and the index is flat.*
- **Unemployed** *Jobless counts will stay flat, while the trend is more down and the index is still high.*

## MONEY

- **W/hold. Tax on Wages** *Wages will stay flat, while the trend is still down, and the index is still high.*
- **General Excise Taxes** *Spending will jump up in Q3, although the trend is still down and the index is low.*

## ENERGY

- **Gas Gallons** *Gasoline will jump up in Q3, though the trend is still down and the index is low.*
- **Kilowatt Hours** *Electricity will slip further, and the trend is turning down, while the index is flat.*

## BUILDING

- **Residential Sales** *Home sales will slip further, yet the down trend is slowing and the index is flat.*
- **Building Permits** *Permits may drop to zero in Q3, as the trend and index fall to nothing.*

## VISITORS

- **Average Daily Visitors** *Visitor counts may slip, while the trend is still up, and the index is high.*
- **Daily Spending** *Per person spending may slip, yet the trend is still up, and the index is flat.*
- **Length of Stay (Dom.)** *Average domestic visitor days may drop back, and the trend is down, yet the index is still high.*
- **Direct Flights** *Passenger counts will climb, yet the trend will turn down while the index stays high.*

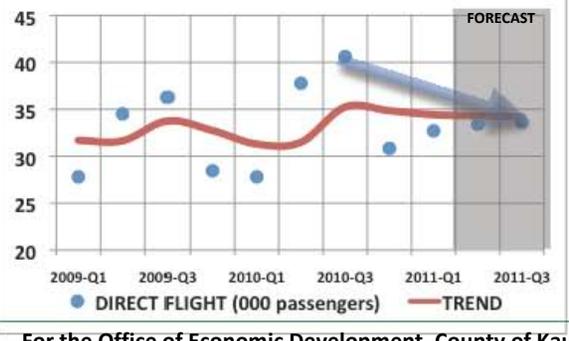
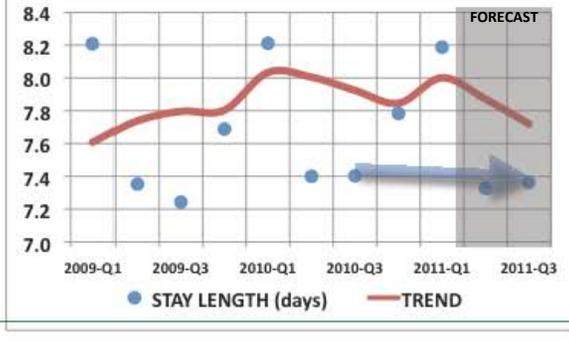
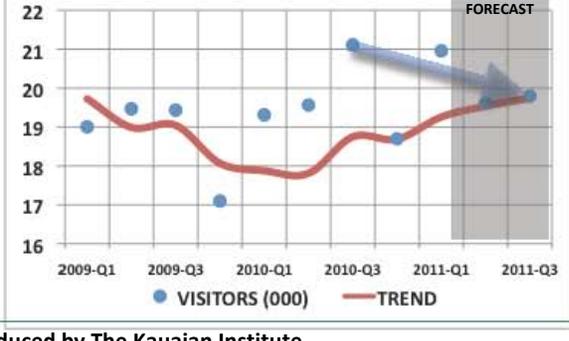
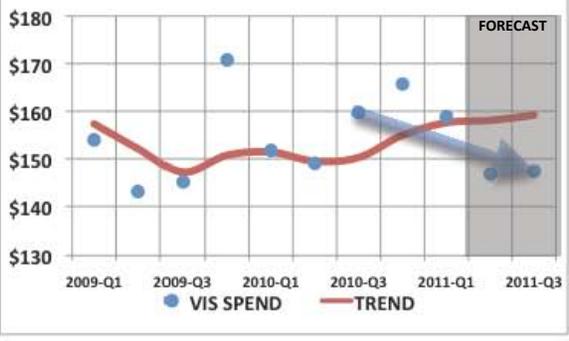
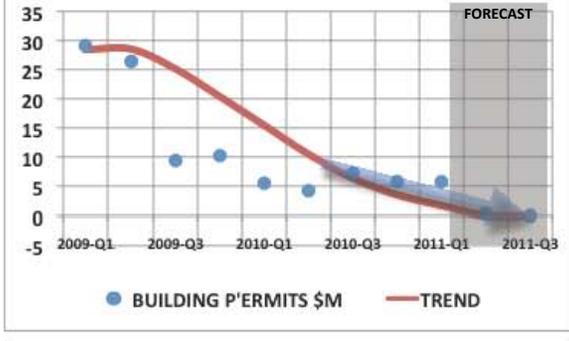
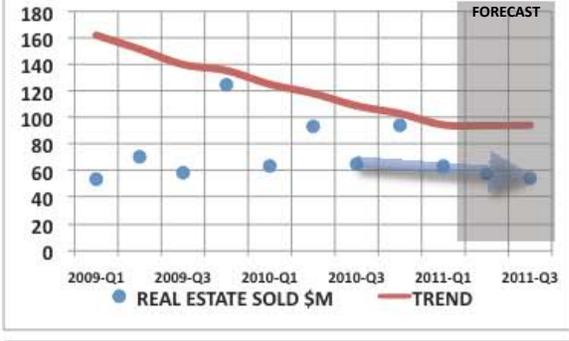
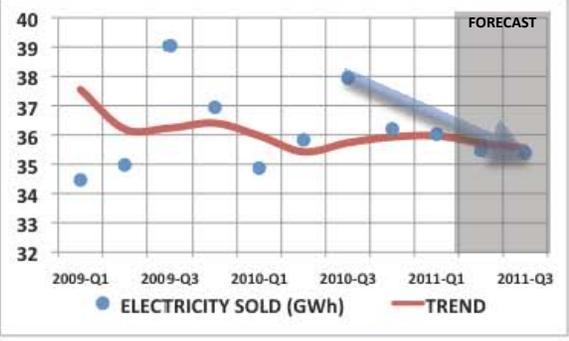
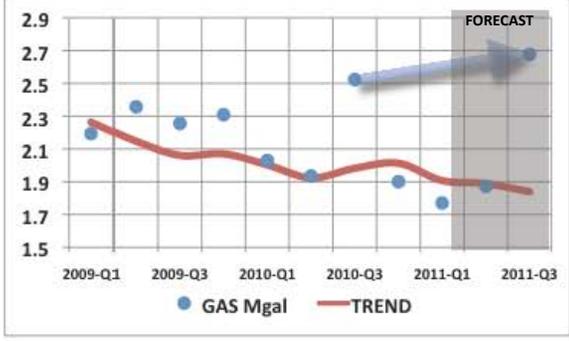
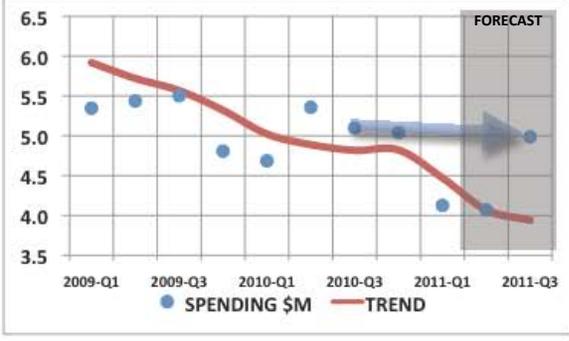
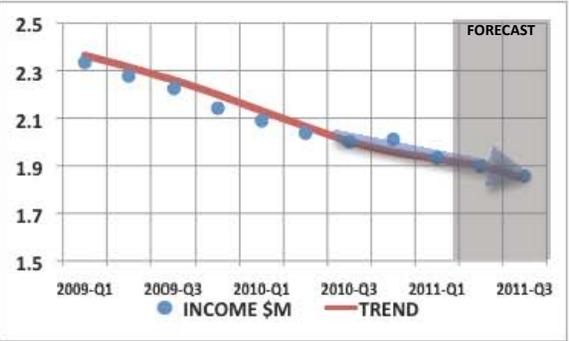
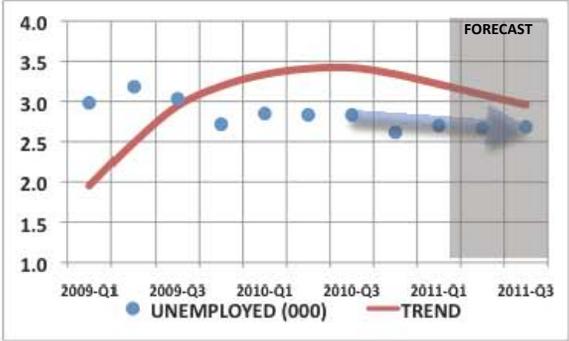
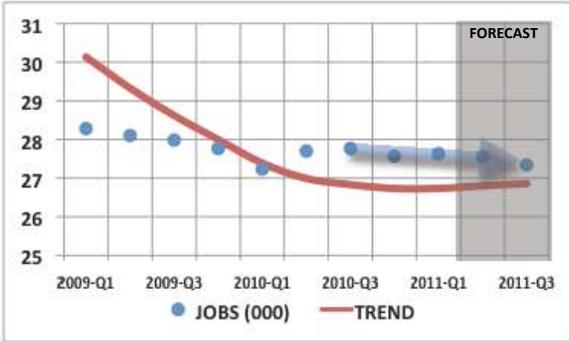
It should be noted that four key indicators (*Jobs, Home Sales, kWh and Visitor Spending*) have settled back to about the same level they were in 2003 and well below the boom years of 2006-07.

Going forward, there are few signs that the mostly flat trends will rebound in the quarters just ahead.

\* Note on reliability of forecasts:

The average forecast error for 10 of 12 indicators (excluding home sales and building permits) was + or - 2.5% over the last 3 quarters.

QUARTERLY INDICATOR TRENDS SINCE 2009: *ARROWS HIGHLIGHT YEAR-TO-YEAR CHANGE FOR Q3*



**EMPLOYED**

Kauai's job base held steady through Q1 2011 at 27,600, which is up from 27,200 in Q1 2010.

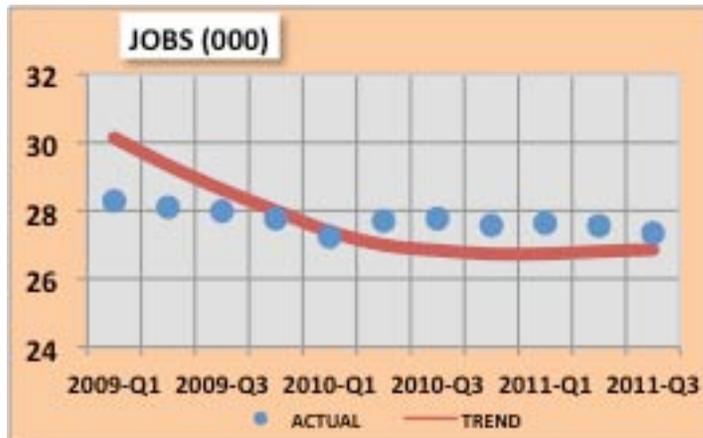
Jobs are forecast to soften again, falling back to 27,300 in Q3 2011.

The jobs trend has been flat at 26,800 since Q3 2010, and is expected to improve slightly to 26,900 in Q3 of 2011.

**JOBS (000)**

	ACTUAL	TREND	INDEX*
2009-Q1	28.3	30.1	1.10
2009-Q2	28.1	29.3	1.07
2009-Q3	28.0	28.6	1.04
2009-Q4	27.8	28.0	1.02
2010-Q1	27.2	27.4	1.00
2010-Q2	27.7	27.0	0.99
2010-Q3	27.8	26.8	0.98
2010-Q4	27.6	26.7	0.98
2011-Q1	27.6	26.7	0.98
2011-Q2	27.6	26.8	0.98
2011-Q3	27.3	26.9	0.98

\* Trend indexed to 2003 average values.



**UNEMPLOYED**

Kauai's unemployed also improved steadily throughout 2010, falling to 2,700 in Q1 from 2,900 in Q1.

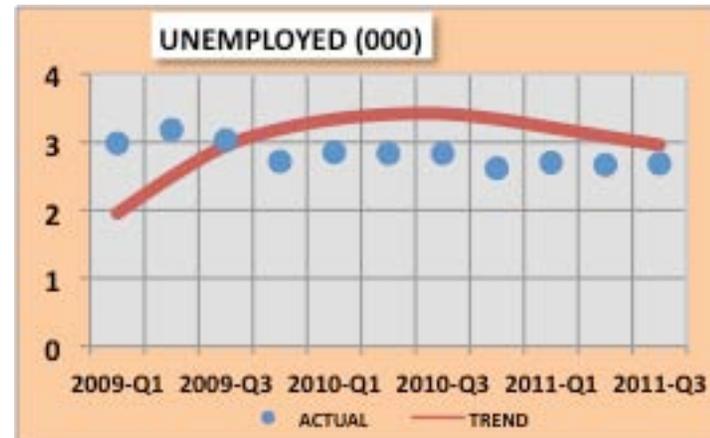
The number of unemployed is forecast to stay flat at 2,700 in Q3 2011.

The trend for unemployed has been falling slightly, and is expected to fall further through Q2.

**UNEMPLOYED (000)**

	ACTUAL	TREND	INDEX*
2009-Q1	3.0	2.0	1.63
2009-Q2	3.2	2.5	2.08
2009-Q3	3.0	2.9	2.45
2009-Q4	2.7	3.2	2.66
2010-Q1	2.9	3.3	2.78
2010-Q2	2.8	3.4	2.84
2010-Q3	2.8	3.4	2.85
2010-Q4	2.6	3.3	2.78
2011-Q1	2.7	3.2	2.68
2011-Q2	2.7	3.1	2.57
2011-Q3	2.7	3.0	2.46

\* Trend indexed to 2003 average values.



**INCOME**

Kauai's income continues to slip, as the average monthly withholding tax on wages slumped from \$2.0 million in Q4 of 2010 to \$1.9 million in Q1 of 2011.

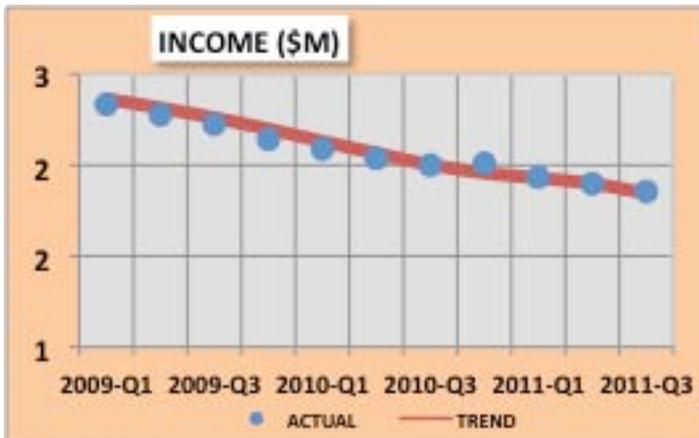
Income is forecast to stay flat at \$1.9 million in Q3 2011.

The income trend is also still slipping, and is expected to fall to \$1.8 million in Q3 2011.

**INCOME (\$M MONTHLY)**

	ACTUAL	TREND	INDEX*
2009-Q1	2.3	2.4	1.58
2009-Q2	2.3	2.3	1.54
2009-Q3	2.2	2.3	1.51
2009-Q4	2.1	2.2	1.47
2010-Q1	2.1	2.1	1.42
2010-Q2	2.0	2.1	1.38
2010-Q3	2.0	2.0	1.34
2010-Q4	2.0	2.0	1.30
2011-Q1	1.9	1.9	1.29
2011-Q2	1.9	1.9	1.27
2011-Q3	1.9	1.8	1.23

\* Trend indexed to 2003 average values.



**SPENDING**

Kauai's spending remains fairly flat, although average monthly collections of general excise taxes fell from \$5.0 million in Q4 to \$4.1 million in Q1 of 2011.

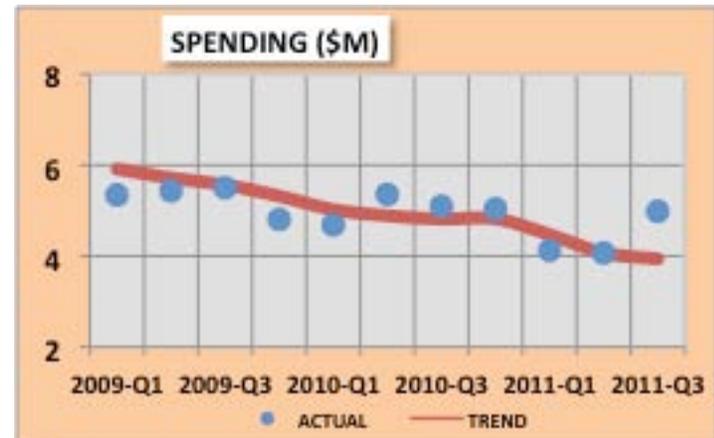
Spending is forecast to drop slightly to \$5.0 million in Q2 of 2011.

The spending trend remains fairly flat, and may drop to \$3.9 million in Q3 of 2011.

**SPENDING (\$M MONTHLY)**

	ACTUAL	TREND	INDEX*
2009-Q1	5.3	5.9	1.31
2009-Q2	5.4	5.7	1.27
2009-Q3	5.5	5.6	1.24
2009-Q4	4.8	5.3	1.18
2010-Q1	4.7	5.0	1.12
2010-Q2	5.4	4.9	1.09
2010-Q3	5.1	4.8	1.07
2010-Q4	5.0	4.8	1.07
2011-Q1	4.1	4.5	0.99
2011-Q2	4.1	4.1	0.90
2011-Q3	5.0	3.9	0.88

\* Trend indexed to 2003 average values.



**GASOLINE**

Kauai's average monthly purchases of gasoline dropped back to 1.8 million gallons in Q1 of 2011, after jumping up to 2.5 million in Q3 of 2010.

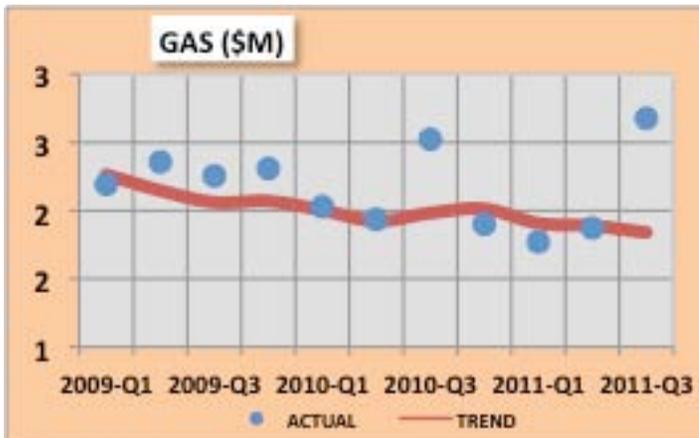
Gas is expected to surge again, jumping up to 2.7 million gallons in Q3 2011.

The gas trend is still inching down below 2.0 million gallons and may slide to 1.8 million gallons in Q3 of 2011.

**GASOLINE (\$M MONTHLY)**

	ACTUAL	TREND	INDEX*
2009-Q1	2.2	2.3	0.91
2009-Q2	2.4	2.1	0.86
2009-Q3	2.3	2.1	0.82
2009-Q4	2.3	2.1	0.83
2010-Q1	2.0	2.0	0.80
2010-Q2	1.9	1.9	0.77
2010-Q3	2.5	2.0	0.79
2010-Q4	1.9	2.0	0.81
2011-Q1	1.8	1.9	0.76
2011-Q2	1.9	1.9	0.76
2011-Q3	2.7	1.8	0.74

\* Trend indexed to 2003 average values.



**ELECTRICITY**

Kauai's average monthly purchases of electricity increased from 34.9 GWh in Q1 of 2010 to 36.0 Gwh in Q1 of 2011.

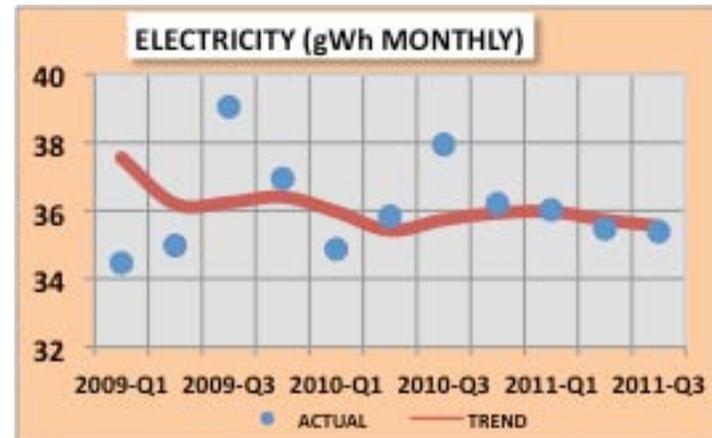
Electricity demand is forecast to fall back to 35.4 GWh in Q3 2011.

The electricity trend has been flat since Q1 2010, and is expected to fall slightly to 35.6 GWh in Q3 of 2011.

**ELECTRICITY (gWh MONTHLY)**

	ACTUAL	TREND	INDEX*
2009-Q1	34.5	37.5	1.07
2009-Q2	35.0	36.2	1.03
2009-Q3	39.0	36.2	1.03
2009-Q4	36.9	36.4	1.03
2010-Q1	34.9	36.0	1.02
2010-Q2	35.8	35.4	1.01
2010-Q3	37.9	35.7	1.02
2010-Q4	36.2	35.9	1.02
2011-Q1	36.0	36.0	1.02
2011-Q2	35.5	35.7	1.01
2011-Q3	35.4	35.6	1.01

\* Trend indexed to 2003 average values.



**HOME SALES**

Kauai's quarterly real estate sales fell back to \$63 million in Q1 of 2010 after climbing to \$93.8 million in Q4 of 2010.

Real estate is forecast to soften further, falling to \$53.8 million sales in Q3 2011.

The real estate trend continues to fall, and is expected to drop to \$93.9 million sales in Q3 of 2011.

Note that the home sales index in 2011 is just a point or two under the 2003 index level.

**HOME SALES (\$M MONTHLY)**

	ACTUAL	TREND	INDEX*
2009-Q1	53.1	162.0	1.70
2009-Q2	70.0	151.4	1.59
2009-Q3	58.0	139.8	1.47
2009-Q4	124.5	135.3	1.42
2010-Q1	63.0	124.9	1.31
2010-Q2	93.0	118.0	1.24
2010-Q3	64.5	108.6	1.14
2010-Q4	93.8	102.7	1.08
2011-Q1	63.0	94.2	0.99
2011-Q2	57.3	93.6	0.98
2011-Q3	53.8	93.9	0.99

\* Trend indexed to 2003 average values.



**BUILDING PERMITS**

Kauai's average monthly building permit value continues to slump, reaching at \$5.7 million in Q1 of 2011.

Permits are forecast to drop still further to virtually nothing in Q1 2011.

The building permits trend has been falling fast since Q2 of 2009, and is expected to hit zero in Q2 of 2011.

**BUILDING PERMITS (\$M)**

	ACTUAL	TREND	INDEX*
2009-Q1	29.1	28.4	1.88
2009-Q2	26.4	28.5	1.89
2009-Q3	9.4	25.1	1.66
2009-Q4	10.2	20.4	1.35
2010-Q1	5.5	15.4	1.02
2010-Q2	4.2	10.5	0.69
2010-Q3	7.2	6.4	0.42
2010-Q4	5.8	3.5	0.23
2011-Q1	5.7	1.7	0.11
2011-Q2	0.4	0.0	0.00
2011-Q3	0.0	0.0	0.00

\* Trend indexed to 2003 average values.



**VISITORS**

Kauai's average daily visitor counts improved steadily throughout 2010, climbing from 19,300 in Q1 of 2010 to 21,000 in Q1 of 2011.

Visitors are forecast to fall back to 19,800 in Q3 2011.

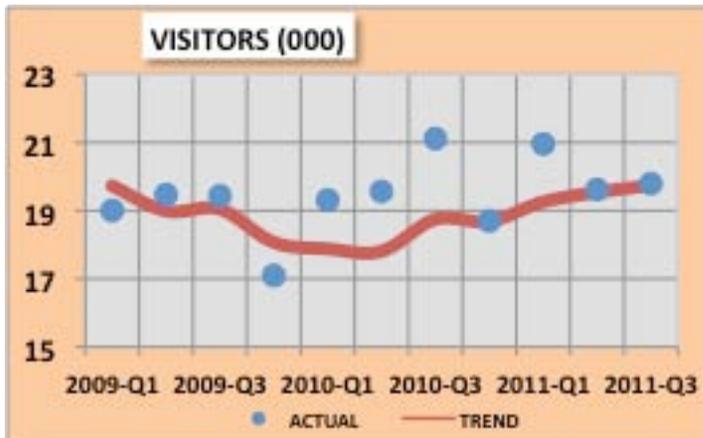
The visitor trend is clearly rebounding from the Q2 2010 low of 17,800, and is expected to improve significantly to 19,700 in Q3 of 2011.

Kauai's visitor index remains 12 to 15 points above 2003 levels.

**AVERAGE DAILY VISITORS (000)**

	ACTUAL	TREND	INDEX*
2009-Q1	19.0	19.7	1.15
2009-Q2	19.5	19.0	1.10
2009-Q3	19.4	19.0	1.11
2009-Q4	17.1	18.1	1.05
2010-Q1	19.3	17.9	1.04
2010-Q2	19.6	17.8	1.04
2010-Q3	21.1	18.7	1.09
2010-Q4	18.7	18.7	1.09
2011-Q1	21.0	19.3	1.12
2011-Q2	19.6	19.5	1.14
2011-Q3	19.8	19.7	1.15

\* Trend indexed to 2003 average values.



**VISITOR SPENDING**

Kauai's visitors' average daily spending per person increased slightly from \$151.76 in Q1 of 2010 to \$158.86 in Q1 of 2011.

Visitor spending is forecast to slip back to \$147.40 in Q3 of 2011.

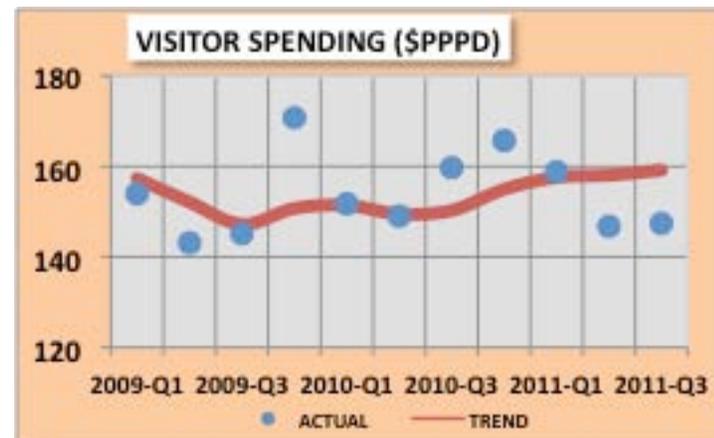
The visitor spending trend is expected to climb to \$159.16 in Q3.

The spending index remains a point below its 2003 level.

**VISITOR SPENDING (\$PPPD)**

	ACTUAL	TREND	INDEX*
2009-Q1	\$153.97	\$157.34	0.98
2009-Q2	\$143.12	\$152.13	0.95
2009-Q3	\$145.15	\$147.21	0.92
2009-Q4	\$170.77	\$150.73	0.94
2010-Q1	\$151.76	\$151.41	0.94
2010-Q2	\$149.04	\$149.49	0.93
2010-Q3	\$159.74	\$150.27	0.94
2010-Q4	\$165.72	\$154.96	0.97
2011-Q1	\$158.86	\$157.59	0.98
2011-Q2	\$146.78	\$158.08	0.99
2011-Q3	\$147.40	\$159.16	0.99

\* Trend indexed to 2003 average values.



**LENGTH OF STAY**

Kauai visitors' average length-of-stay held steady at 8.2 days in Q1 2011 as it was in Q1 2010.

Stay length is forecast to fall back to 7.4 days in Q3 2011.

The stay-length trend remains fairly flat near 8.0 days, and is expected to slip slightly to 7.7 days in Q3 of 2011.

**LENGTH-OF-STAY**

	ACTUAL	TREND	INDEX*
2009-Q1	8.2	7.6	1.14
2009-Q2	7.4	7.7	1.15
2009-Q3	7.2	7.8	1.16
2009-Q4	7.7	7.8	1.16
2010-Q1	8.2	8.0	1.20
2010-Q2	7.4	8.0	1.19
2010-Q3	7.4	7.9	1.18
2010-Q4	7.8	7.8	1.17
2011-Q1	8.2	8.0	1.19
2011-Q2	7.3	7.9	1.17
2011-Q3	7.4	7.7	1.15

\* Trend indexed to 2003 average values.



**DIRECT FLIGHT PASSENGERS**

Kauai's average monthly passenger count on direct flights continues to climb from 27,800 in Q1 2010 to 32,700 in Q1 2011.

Direct flight counts are forecast to climb further to 33,600 in Q3 2011.

The direct flights trend has begun to slide from the 35,200 passenger peak in Q3 2010, and is expected to slide further to 34,200 in Q3 of 2011.

**DIRECT FLIGHT PASSENGERS (000)**

	ACTUAL	TREND	INDEX*
2009-Q1	27.8	31.7	1.24
2009-Q2	34.5	31.6	1.24
2009-Q3	36.3	33.7	1.32
2009-Q4	28.4	32.7	1.28
2010-Q1	27.8	31.3	1.22
2010-Q2	37.8	31.5	1.23
2010-Q3	40.6	35.2	1.38
2010-Q4	30.8	34.8	1.36
2011-Q1	32.7	34.4	1.34
2011-Q2	33.4	34.3	1.34
2011-Q3	33.6	34.2	1.34

\* Trend indexed to 2003 average values.

